

VZCZCXR00081
OO RUEHB1 RUEHCI RUEHLL RUEHPW
DE RUEHNE #2828/01 3051239

ZNY CCCCC ZZH

O 311239Z OCT 08

FM AMEMBASSY NEW DELHI

TO RUEHC/SECSTATE WASHDC IMMEDIATE 3965

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

RUEHBJ/AMEMBASSY BEIJING 7110

RUEHLO/AMEMBASSY LONDON 5428

RUEHMO/AMEMBASSY MOSCOW 2861

RUEHKO/AMEMBASSY TOKYO 5853

RHEHNSC/NSC WASHDC

RHEBAAA/DEPT OF ENERGY WASHINGTON DC

RUCPDOC/DEPT OF COMMERCE WASHDC

RUEHGV/USMISSION GENEVA 7927

RHEHAAA/WHITE HOUSE WASHDC

RUEAIIA/CIA WASHDC

RUEIDN/DNI WASHINGTON DC

RUCNDT/USMISSION USUN NEW YORK 7075

RHMFISS/HQ USCENTCOM MACDILL AFB FL

RHHMUNA/HQ USPACOM HONOLULU HI

RUEKJCS/Joint STAFF WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 NEW DELHI 002828

SIPDIS

DOE: TOM CUTLER, COURTNEY GILLESPIE, RAJ LUHAR
EEB/ESC: DAS DHENGEL, PSECOR, DHENRY, MMCMANUS

E.O. 12958: DECL: 10/31/2013

TAGS: [PGOV](#) [PREL](#) [EAID](#) [EPET](#) [IR](#) [PK](#) [IN](#)

SUBJECT: INDIAN FOREIGN MINISTER TO VISIT TEHRAN TO DISCUSS
BILATERAL ECONOMIC COOPERATION

REF: NEW DELHI 2021

Classified By: Acting POLCOUNS Lesslie Vigerie for Reasons 1.4 (B, D)

¶1. (C) Summary: India's External Affairs Minister Pranab Mukherjee will visit Tehran on November 1 to attend the annual Joint Commission meeting with his Iranian counterpart Davood Jafari. Mukherjee's visit to Iran will focus on economic issues related to trade and is unlikely to result in any significant change in India's foreign policy toward Iran, according to Post contacts. Mukherjee's aim will be on improving the economic climate for Indian companies interested in operating in Iran. Press speculates the proposed Iran-Pakistan-India natural gas pipeline deal will be on Tehran's agenda and that India might offer a new proposal on pricing. However contacts in Delhi are confident no deal is likely in the immediate future and we have no evidence that the GOI intends to resume negotiations, which it has refused to take part in since mid-2007. Despite PM Singh's statement opposing Iran's nuclear weapons program in Marseilles in September, Post does not expect the nuclear issue to be part of Mukherjee's talking points. End Summary.

Fifteenth Round of Annual Meeting

¶2. (C) Indian External Affairs Minister Pranab Mukherjee departs India October 31 for the fifteenth installment of annual Joint Commission talks with Iranian co-chair Minister of Economic Affairs and Finance Davood Jafari. According to an External Affairs Ministry release, press reports and Post contacts, Mukherjee's focus will be on cultivating the business climate for Indian business in Iran, discussing the Iran-Pakistan-India (IPI) gas pipeline, and reviewing political, economic and cultural ties.

¶3. (C) This ministerial-level meeting of the Joint Commission, which also includes working groups on a wide variety of issues such as energy, transportation and consular affairs, has been delayed since July. Post contacts speculate that the delay was due to the U.S.-India Civil

Nuclear Initiative being in the final stages of negotiation at that time, with the Indian government deeming such meetings with Iran as too sensitive to the U.S. during that time. Despite the delay in the Joint Commission ministerial, India-Iran dialogue has continued apace, highlighted by President Ahmadinejad,s visit to Delhi in April, and National Security Advisor M.K. Narayanan,s visit to Tehran in June.

No Real Progress on Pipeline, Economic Discussions Expected

¶4. (C) On the IPI pipeline, several Post contacts, including Qamar Agha, Visiting Professor at Jamia Millia Islamia (JMI), agreed that India is unlikely to move forward with the pipeline project and that nothing concrete would result from these discussions. However, Agha suggested, for domestic political reasons -- primarily to please the Congress party,s large Muslim voting bloc -- the Indian government will continue its practice of making optimistic public pronouncements to keep the issue open and in the public. Jawaharlal Nehru University (JNU) professor of Middle East studies Dr. P.R. Kumaraswamy told Poloff Mukherjee will likely offer Tehran a counterproposal on IPI which will include a calculated mix of proposals, in an effort to keep negotiations going but to not conclude anything at this time. Kumaraswamy,s analysis was echoed in an article in The Hindu saying Mukherjee will carry with him to Tehran a new set of proposals aimed at addressing specific Iranian concerns over the project, while trying to take advantage of

NEW DELHI 00002828 002 OF 003

a drop in global oil prices to strengthen India,s bargaining position. The daily concluded that the conclusion of the 123 Agreement has eased some of the diplomatic pressure on the Indian government to pursue the energy deal with Iran. (Comment: &The Hindu,s8 optimistic speculation over the last two years about the IPI negotiations has proven to be consistently incorrect. The article remains silent on the central &deal-breaking8 issue of whether Iran would retain responsibility for delivering the gas to India. End Comment.)

¶5. (C) Economic discussions are expected to focus on improving the business climate for Indian companies in Iran. While the External Affairs Ministry would not comment to Poloff on the upcoming trip, press reported that one tangible item the Indian government will seek to procure is a double tax avoidance agreement. Mukherjee will also address the Indo-Iran Joint Business Council meeting.

Mukherjee Unlikely to Deliver Tough Message on Tehran,s Nuclear Policy

¶6. (C) One issue which is expected to be notably absent from talks is Iran,s nuclear program. Despite a very positive comment by Prime Minister Singh at the EU-India summit at Marseilles in late September, where he explicitly noted that India opposes Iran,s assumption of a nuclear weapons capability, Mukherjee is expected to stick to Joint Commission topics and, conveniently for both sides, avoid the controversial issue.

Comment: Business As Usual for India on Iran

¶7. (C) Comment. This visit is more of the same in Indo-Iran relations. As Post has reported numerous times in the past, India sees its relationship with Iran as being based primarily on energy needs, a common Non-Aligned Movement background, a back door to Pakistan which includes strategic and commercial benefits, and a perception of historical ties which, while often cited by Indian officials, are of little meaning to the Indian public today. Post expects that, even if Mukherjee offers some proposal to resume the long-frozen IPI pipeline negotiations to garner positive coverage, little

real progress will be forthcoming. On August 1, 2008, Ministry of Petroleum and Natural Gas (MPNG) Secretary R.S. Pandey replaced retiring Secretary M.S. Srinivasan who was the GOI's main negotiator for the IPI pipeline (reftel), and we have no indication yet that Pandey intends to resume negotiations last held in June 2007. Post has learned that Pandey will not be accompanying Mukherjee on his visit, yet another sign that India is not serious about concluding an agreement with Tehran. In addition to unresolved issues of pricing, dedicated reserves, security, and transit fees, the MPNG sees the primary obstacle to an agreement as the project structure) and specifically as Iran's insistence that its responsibility for India's share of the natural gas would end at the Iran-Pakistan border, whereas India says its would take ownership of the gas only after it entered India from Pakistan.

¶8. (C) Comment Continued. Post also expects a joint statement that will perfunctorily describe the enhancement of bilateral ties, including some trade goals, but be void of any substantive examples. For Delhi, the value of this meeting is the domestic political points it scores, both in terms of appeasing an important Muslim vote as general elections approach, and in terms of flexing India's & independent⁸ (read: immune to influence by the U.S.) foreign policy in the wake of the conclusion of the civ-nuke agreement. Post does not dismiss that an unexpected, more dramatic announcement may come out of Mukherjee's visit, as was the case when

NEW DELHI 00002828 003 OF 003

President Ahmadinejad announced in April that the IPI deal would be completed &within 45 days.⁸ However, as was the case when the Ahmadinejad &surprise⁸ was dismissed as bluster for domestic consumption (note: and later proved wrong), Post agrees with Dr. Kumaraswamy that any announcement made this weekend should be viewed in the context of the upcoming elections and Indian politician's motivation to please their Shia Muslim supporters -- and should not be read as a strengthening of the bilateral relationship.

MULFORD